

Honolulu, Hawaii

Feb 6 , 2012

RE: H.B. No. 2264
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2264 entitled:

"A BILL FOR AN ACT RELATING TO EMPLOYMENT SECURITY,"

begs leave to report as follows:

The purpose of this measure is to adjust the benefit amounts paid to employees from the unemployment insurance trust fund and the contribution rates for employers. Specifically, this measure:

- (1) Extends the maximum weekly benefit amount for unemployment insurance benefits to seventy-five percent of the average weekly wage until December 31, 2013;
- (2) Maintains the employer contribution rate amount at schedule F for calendar year 2012 and 2013; and
- (3) Increases the employer's maximum unemployment insurance contribution rates for certain employers beginning on January 1, 2013.

The Hawaii Business League, Retail Merchants of Hawaii, Chamber of Commerce of Hawaii, Hawaii Credit Union League, and a concerned individual testified in support of this measure. Pomaika'i Construction, Est8Planning Counsel LLC, Aloha V.I.P. Tours, Inc., Hawaii Titanium Rings, Wailea Golf LLC, Hawaii Forest & Trail Ltd., Kohala Zipline LLC, Markham Insurance Services, AMV Air Conditioning Inc., Paia Bay Cafe, Bead It, HONBLUE, Inc., T&T

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Tinting Specialists, Inc., BB Embroidery, J. Fuller Construction, Coffees of Hawaii, LLC, A & R Electric LLC, Sunset Refinishers, KN Lawn Service, Inc., Hawaiian Island Homes Ltd., Quality Design/Build, Inc., East Oahu Physical Therapy, At Home Mobile Veterinary Services, Island Dream Kitchen & Bath, Inc., ProService Hawaii, Global Technology Corporation, Environ Control, Inc., and several concerned individuals testified in support of the intent of this measure. The Department of Labor and Industrial Relations, ILWU Local 142, and a concerned individual provided comments.

When Hawaii was experiencing low unemployment rates in the mid-2000s, the level of reserves in the Unemployment Trust Fund was high. At that time, the Legislature sought to provide relief for employers from unemployment insurance contribution rates while also increasing benefits for employees. Thus, the Legislature attempted to balance relief for employers and increased benefits for employees against the need to maintain an adequate level of unemployment trust fund reserves. It was believed that this balanced approach would continue economic growth without placing unemployment trust fund reserves in jeopardy.

Unfortunately, the economic downturn that occurred over the past several years resulted in increasing unemployment and, concomitantly, a dwindling reserve in the unemployment trust fund. As such, the insolvency of the unemployment trust fund in December 2010, required the State to borrow money from the federal government under Title XII, Section 1202(b) of the Social Security Act, as amended. However, stabilizing unemployment rates as well as efforts by the Department of Labor and Industrial Relations allowed for the loan to be repaid and the unemployment trust fund to realize a positive balance, although the situation is still precarious.

Although economic growth appears to be improving and Hawaii appears to be heading towards an economic recovery, the process is a slow one. Under current law, the rate schedule for unemployment insurance contributions is scheduled to increase. Your Committee finds that maintaining the schedule at its current rate for an additional year will help mitigate the effect of this increase on businesses and provide stability and certainty during this economic recovery period. This will also allow many employers to spend additional income on employees and investments rather than on unemployment insurance contributions.



However, your Committee notes that unemployment insurance contribution rate schedules and maximum weekly benefit amounts for unemployed individuals is being addressed in H.B. No. 2096, which your Committee has already passed in an amended form. As such, your Committee has amended this measure by removing language that:

- (1) Extended the maximum weekly benefit amount for unemployment insurance benefits to seventy-five percent of the average weekly wage until December 31, 2013; and
- (2) Maintained the employer contribution rate amount at schedule F for calendar year 2012 and 2013.

Your Committee has also amended this measure by:

- (1) Changing its effective date to January 1, 2013; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2264, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2264, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,



KARL RHOADS, Chair



